

**THE IMPACT OF RESTRUCTURING STATE OWNED
ENTERPRISES ON FINANCIAL PERFORMANCE AND
EMPLOYEE WELFARE:
THE CASE OF MALAWI POSTS CORPORATION**

MASTERS IN BUSINESS ADMINISTRATION

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THE CASE OF MALAWI POSTS CORPORATION**

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**A dissertation submitted to the Faculty of Commerce, The Malawi Polytechnic,
University of Malawi, in partial fulfilment of the requirements for the Masters in
Business Administration**

July 2008

DECLARATION

I declare that this dissertation is my own unaided work. It is being submitted in partial fulfilment of the requirements for the degree of MBA in the University of Malawi and it has not been submitted before for any degree or examination in any other university.

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CERTIFICATE OF APPROVAL

We declare that this dissertation is from the candidate's own work and effort. Where he has used other sources of information, it has been acknowledged. This dissertation is submitted with our approval.

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DEDICATION

To my late mother, Letiya, who did not live to enjoy the fruits of her labour.

To my wife, Rose, and daughter, Ruth, who persistently rendered me the moral and spiritual support throughout the course of my programme.

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I would like to express my profound gratitude to God, the Almighty, who made it possible for me to achieve the impossible. For, *“I can do all things through Christ who strengthens me.”* Philippians 4:13

I am also highly indebted to Mr. M. M. Makawa, the Postmaster General of MPC, who, out of his benevolence, initiated the necessity for me to pursue this highly esteemed MBA programme and pledged the financial sponsorship of the Corporation.

Further, I am grateful to the following individuals who assisted me in various capacities: Executive management of MPC, Messrs H. Shamu, N. Mkandawire and J. Chiusiwa; MPC members of staff, at head office, regional offices and some post offices, for responding to my questionnaires; my classmates, Jack, Hamilton, Nellie, Fanny and Thelma, for their endless encouragement to soldier on when the going got tough; my main supervisor, Mr. B. Mkwara, without whom this piece of work would have been impossible to accomplish; my second supervisor, Mrs N.A. Katenje, who provided the most needed, life saving, guidance at the very last minute; Maggie Kunje and Charles Kaukonde, who were always there to render a helping hand in binding this document; and, finally, the numerous relatives and friends for their spiritual, moral and material assistance .

ABSTRACT

The purpose of this study was to examine the impact of restructuring state owned enterprises on financial performance and employee welfare, focusing on Malawi Posts Corporation (MPC), with the aim of assessing whether restructuring provides any benefits to both the restructured enterprise and its employees, thereby offering an alternative to full privatisation.

In this study, several research methods were applied. Both primary and secondary data sources were used. Self administered questionnaires and face to face interviews were utilised to collect primary data from MPC management and employees. MPC annual reports and literature review provided the source of secondary data. Changes in financial performance were assessed by analysing two pre- and post- restructuring profitability ratios, return on equity (ROE) and return on sales (ROS). Changes in employee welfare after restructuring were measured by analysing employees' perceptions on changes in their wages, health benefits, retirement benefits, workload, job security and job satisfaction after restructuring. Both the quantitative and qualitative data collected were analysed using Microsoft Excel and a Statistical Package for Social Sciences (SPSS).

The results revealed that MPC's financial performance and employee welfare improved after restructuring. Contrary to other research findings that restructuring, through retrenchments, increases employee job insecurity and lack of job satisfaction, this study showed that MPC employees did not experience a decline in their job security and satisfaction after restructuring. However, the limits of generalising these findings should be recognised, as they were contingent on the perceptions of sampled MPC employees.

It is, therefore, concluded that the impact of restructuring MPC has been improved financial performance and employee welfare. Thus restructuring of state owned enterprises should be explored as an alternative to full privatisation, which has received a lot of negative criticism from the general public.

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LIST OF ABBREVIATIONS AND ACRONYMS

BPCS:	British Post Consultancy Services
EMS:	Express Mail Service
FEL:	Frontier Economics Limited
GOM:	Government of Malawi
IDA:	International Development Association
ILO:	International Labour Organisation
IMF:	International Monetary Fund
JCE:	Junior Certificate of Education
MK:	Malawi Kwacha
MPC:	Malawi Posts Corporation
MPTC:	Malawi Posts and Telecommunications Corporation
MSCE:	Malawi School Certificate of Education
MTL:	Malawi Telecommunications Limited
PBIT:	Profit before interest and tax
PC:	Privatisation Commission
PLSC:	Primary School Leaving Certificate
PMG:	Postmaster General
PURP:	Privatisation and Utility Reform Project
R&D:	Research and development
ROE:	Return on equity
ROI:	Return on investment
ROS:	Return on sales
SDR:	Special Drawing Rights
SOE:	State owned enterprise
SPSS:	Statistical Package for Social Sciences
USD:	United States Dollar
WB:	World Bank

CHAPTER 1

INTRODUCTION

1.0 Background

Since the early 1990s, the Government of Malawi (GOM) embarked on the theme of public enterprise reforms to improve operating efficiency and reduce financial burden on the national budget. These reforms mainly involve the divestiture of state owned enterprises (SOEs), through privatisation, and the restructuring of some SOEs to operate as commercial entities, independent of government subventions. In order to manage the reform programme, the GOM established the Privatisation Commission (PC) in 1994. This was followed by the passage of the Public Enterprises (Privatisation) Act in 1996. The Act gave the PC the mandate to oversee the public enterprise reform programmes in Malawi (World Bank, 2000).

These public enterprise reforms spread to all sectors in Malawi, including communications. In 1998, the GOM endorsed the Communications Sector Policy Statement to formally launch the restructuring of its communications sector (GOM, 1998). Central to this policy, with regard to postal services, were firstly, the split of Malawi Posts and Telecommunications Corporation (MPTC) into two entities, namely: Malawi Posts Corporation (MPC), responsible for postal services, and Malawi Telecommunications Limited (MTL), responsible for telecommunications services; secondly, the re-orientation of postal services into a viable and sustainable venture able to cover operational costs after an initial period of two years. The policy statements were incorporated into an Act of Parliament, called Communications Act of 1998, which provided for the legal formation of MPC. Consequently, MPC became a separate legal entity on 1st June 2000 (Frontier Economics Limited, 2003).

1.1 Overview of Malawi Posts Corporation

Postal services were first introduced in Malawi (then called Nyasaland) by the British colonial government in 1891. When Malawi attained independence in 1964, the GOM took over the responsibility of providing both postal and telecommunication services, under the Department of Posts and Telecommunications, until April 1997 when a

statutory corporation, MPTC, was formed. However, MPTC was later split into two entities, MPC and MTL, in the year 2000 as part of the reform programmes in the communications sector. MPC became a public postal service provider in Malawi governed by the Communications Act of 1998.

1.1.1 Products and Services

MPC's products and services include: collection and delivery of ordinary letter mails, registered mails, parcels, Express Mail Service (EMS), postal and money orders, telegrams, bulk mail (cargo), postal boxes and stationery. These products and services were principally being provided as social services to all Malawians at prices which were lower than operating costs.

These products and services are provided through a nationwide network of 177 post offices, manned by full time employees, and 140 postal agencies which are run by District Assemblies under the Ministry of Local Government. These offices are subdivided into three main regional administration centres namely, Northern region, Central region and Southern region. A fourth region, Eastern, was abolished as part of the restructuring. MPC headquarters coordinates all regional activities. Some of the post offices are in remote rural areas and hardly register any profit. This resulted in persistent operating losses and cash flow problems for MPC and made it difficult for the Corporation to compete fairly on the market.

The Corporation faces competition from private courier service operators like: DHL, FedEx, TNT, Securicor Pony Express, Skynet, and Post Dot Net. MPC's total market share stood at 42 percent in 2004 (Chislet Consulting, 2004). Due to poor and unreliable services, which included lack of customer care, offered by MPC, as a public postal service provider, mailers were willing to pay significantly higher prices to the competitors. Thus the restructuring of the Corporation was viewed as one way of improving the quality of MPC services.

1.1.2 Organisational Structure and Management

The organisational structure of MPC, at the time of its inception, comprised a seven member board of directors, appointed by the Office of the President and Cabinet; Postmaster General (PMG); who is the Chief Executive Officer, Deputy PMG; four directors; each responsible for Finance; Operations; Planning and Development; and Administration and Human Resources Management; and one deputy director of Internal Audit. The board of directors represents the GOM as the ultimate shareholder of MPC. The PMG reports to the board, while the deputy PMG and the directors report to the PMG.

The executive management is assisted by middle managers called Controllers. Some Controllers report directly to the PMG and others to the Directors. For example, the Controller of Internal Audit reports to the PMG and attends Board meetings. Under each Director there are one or two Controllers depending on the size and structure of the department. Regional managers head the regional administrative centres and report to the Director of Operations. The Regional managers are at the same grade as Controllers.

MPC was initially established with a staff compliment of 2,039 transferred from MPTC. This represented about 11 members of staff for each of the 177 post offices. Consequently, staff costs contributed a significant part, about 70 percent, of the total operating expenses (MPC, 2000). With inadequate government subventions and declining revenues in the first two years of its existence, MPC struggled to sustain its operations. As a result, the Corporation experienced huge cash flow problems, which also affected its staff, between 2001 and 2002. On several occasions, MPC failed to pay salaries on time. As one way of addressing these problems, a review of the staff composition was undertaken to align it with the Corporation's financial performance and in a bid to increase productivity. The review revealed that the Corporation did not require more than 1,000 employees. Accordingly, redundant members of staff were retrenched and currently, the Corporation has 922 employees.

1.1.3 MPC's Financial Performance

MPC inherited debts worth over MK200 million from MPTC and faced continuous financial difficulties since June 2000. Not surprisingly, therefore, the Corporation reported operating losses in each of the first two years of its existence. It recorded negative return on equity (ROE) of minus 48 percent in 2001 and minus 86 percent in 2002. This poor financial performance affected the Corporation's cash flow, resulting in net current liabilities.

The Corporation experienced these problems because it was not fully prepared to operate as a commercial enterprise. Before the delinking of MPTC, postal services were regarded as social services and were being cross-subsidized by funds from the telecommunication services. After separation, the GOM earmarked MTL for privatisation while MPC was to be restructured and still remains under the government's control. By restructuring MPC, the government expected the Corporation to profitably sustain its operations.

1.2 The Restructuring of MPC

The financial and operational problems experienced by MPC and the insufficient government subventions, as highlighted above, triggered the need to restructure MPC. As part of the restructuring process, management, in 2000, developed a three-year business plan, which highlighted the overall turnaround strategy for the Corporation. The plan outlined major operational problems pertaining to inadequate financial resources for running the loss making post offices and a huge wage bill taken over from MPTC. It further recommended the following measures for the Corporation's survival: the reorganisation/reduction of executive and senior management staff structure; rationalisation of executive management conditions of service; reduction of regional administrative centres from four to three by abolishing the Eastern region which was merged with the Southern region; franchising of all loss making post offices; rightsizing of the Corporation, resulting in the retrenchment of redundant staff; review of postal agencies and other operations; introduction of new services; and charging of cost based prices for all products and services. The business plan was

approved by the GOM in 2000 and formed a basis for sourcing of funds to finance the restructuring programme.

The restructuring of MPC fell under the Privatisation and Utility Reform Project (PURP) of the PC. The PURP was established in 2000 and one of its objectives was to establish a plan to strengthen the postal service following its split from telecommunications. The project, with respect to the restructuring of MPC, was funded by the World Bank (WB) and the GOM. There were two sub-components of the funding: one consisting of WB funded investments, amounting to SDR 4.660 million, and the other consisting of a USD 3.0 million subvention from the GOM for the first two years of the project. The WB component was part of a total credit of SDR 21.8 million to the GOM repayable over a 40 year period (World Bank, 2000). However, the funding of MPC, by the WB and GOM, was treated as a grant. The WB did not provide cash support to MPC; instead it funded directly the procurement of consultancy services in support of management, training, and acquisition of motor vehicles, computer software, postal and office equipment to improve the operations of the Corporation.

The restructuring of MPC was mostly implemented in the financial year ended 30th June 2003, in line with the three-year business plan and the funding from the GOM. Out of the planned funding of USD 3 million from the GOM, MPC received only USD 1.68 million cash, which was used for settling some long overdue debts and payment of retrenchment costs. As a result, 596 employees were retrenched and the composition of executive management was reduced by two positions to only four, comprising the PMG, Director Operations, Director Finance and Administration and Director Marketing and Projects. Further to this, the positions of Deputy PMG and Director Administration and Human Resource Management were frozen. The position of Deputy Director Internal Audit was downgraded to a Controller level. The regional headquarters were also reduced from four to three with the abolition of the Eastern region. Some employees from the Eastern region were retrenched, while others were absorbed within the combined new Southern region.

The reorganisation was implemented as part of cost cutting measures to improve the cash flow position of MPC. However, MPC realised that cost cutting measures alone

could not be sustained for a long time and that there was need to expand the operations of MPC through introduction of new products and services to increase the revenue base.

To assist MPC realise these plans, the WB funded the procurement of consultancy services from a British consortium of Frontier Economics Limited (FEL) and British Post Consultancy Services (BPCS), to review and revise the business plan. The consultants were also expected to help MPC in providing technical expertise and implementing the revised business plan. The business plan was revised in 2003 to cover a five-year period to 2008. The revised plan set out the actions which MPC was to undertake to recreate itself into a viable entity, able to meet the needs of its customers. The consultants, further envisaged, that the impact of the business plan on MPC's financial position would be rapid (Frontier Economics Limited, 2003).

The consultants recommended that MPC should focus on two broad strategies, cost reduction and revenue increase. The cost reduction strategy was aimed at assisting the Corporation end its unsustainable losses, while revenue increases would enable MPC create a growing business which would remain viable in the future. Cost reductions were to be realised from staff retrenchments, network restructuring and the franchising of loss making post offices. However, no post office has been franchised so far. Revenue increases were to be achieved through improved quality of service and the introduction of new products and services. Improved service quality would enable MPC protect and grow its market share and facilitate price increases for its services as consumers become aware of the improved quality. The new product and service offerings would also facilitate the development of new revenue streams outside the basic letter services (Frontier Economics Limited, 2003). Some of the new products and services already introduced are: sale of prepaid phone cards, bulk mail (post cargo), post buses, internet cafes, lottery tickets, postshops , selling stationery, and collection of utility bills.

The consultants, further, stated that the new products and services would be introduced gradually over the following years as demand is assessed and operations redesigned. Therefore, to date MPC continues its search for new products and services in line with developments in the market. This is expected to augment the decline in

basic letter revenues due to increases in competition and use of modern technologies, such as, electronic mail and cell phones.

The implementation of these strategies was supported by the acquisition of new motor vehicles, computers, mail cancelling machines, scales, mail franking machines, computer software for mail tracking and management information system funded by the WB.

1.3 Motivation of Study

In his paper on ‘Organisational Restructuring Strategies’, Huffine (2000) questions, “so what good is organisational restructuring without seeing results?” Since government is committed to restructuring some public enterprises, there is need to assess the impact of these developments on the affected entities’ financial performance and, more importantly, on employees who usually feel neglected. Expected improvements, in the financial performance of SOEs, are as important to governments as they are to employees. Profitable SOEs contribute to national development through provision of quality services and payment of dividends and taxes to the government. Employees, as one of the key corporate stakeholders, contribute to the success of any restructuring programme. They are more likely to support programmes in which they perceive contain an element of personal benefit. For this reason employee welfare was deemed as a necessary part of the study. Johnson (1996) argues that the effect of restructuring on firm employees is the least examined aspects of organisational change. Therefore, the researcher felt that an assessment of financial performance alone would have been incomplete without assessing the impact of restructuring on employees.

Baue (2006) argues that a sustainability analysis that focuses only on indicators that have a material impact on the financial success of companies is incomplete and ultimately obsolete since it does nothing more, than a standard financial analysis, namely to identify the profitability of companies. There have been a lot of resistance by employees to any privatisation and restructuring programmes for fear of losing their jobs and benefits. During restructuring there is often significant downsizing of labor, and when this occurs, the resultant social impact triggers negative reaction that

drags or, at worst, stalls the restructuring process (Fretwell, 2004; De Meuse et al., 2004).

The researcher was, therefore, motivated to conduct this study because most people opposed to privatisation have advocated for the restructuring of SOEs as the best alternative to full privatisation. However, no research has been conducted to justify these assertions. ILO (2003) argues that restructuring of a public utility can represent an alternative to privatisation in terms of improving services and may sometimes precede privatisation. Furthermore, most SOEs in Malawi have been described as being inefficient and loss making. To address this, most theories portray privatisation as the solution. In practice, though, SOEs are restructured to follow the model of the private firm. One critical element of this reform is the modification of the mission of the firm away from uneconomical social goals to profit maximisation. Thus most SOEs become profit-seeking organizations after restructuring. The evaluation of the performance of restructured SOEs is, therefore, as imperative as it is for privatised entities.

1.4 Research Questions

The study was intended at ascertaining whether SOE restructuring should be supported or not, by examining the following questions:

- What changes have occurred in MPC's financial performance because of corporate restructuring?
- How has corporate restructuring affected employee welfare in MPC?

1.5 Research Objectives

The purpose of this study was to assess whether there are benefits to SOEs and employees associated with corporate restructuring by considering the following specific objectives:

- To examine the effects of public enterprise restructuring on financial performance of MPC.

- To examine the effects of public enterprise restructuring on the welfare of MPC employees.

1.6 Significance of the Study

Most studies on corporate restructuring have directed their attention on privatised and privately owned entities and tended to consider profitability and employee issues separately (Hoskisson and Hitt, 1994, Cameron, 1994,). Studies carried out in Malawi have also focused on assessing the impact of privatisation on the performance of the privatised enterprises (Honde, 2005; Mawindo, 2001, Kaluwa, 2000, Mposa, 1997) and no study, at least to the knowledge of the researcher, has been undertaken in Malawi to assess the impact of restructuring SOEs.

Further, results of studies on the impact of restructuring on financial performance and employee welfare have been conflicting and ambiguous. While a study by De Meuse et al., (2004) found no evidence that restructuring enhances firm performance, another study by Bozec and Breton, (2003) revealed that the financial performance of SOEs improves after restructuring. Research by Higuchi and Matsuura (2004) on the impact of corporate restructuring on wages concluded that employees do not benefit from the fruits of restructuring in terms of wages. This was supported by Giles et al. (2004) who found out that restructuring of SOEs leads to a decline in wages (salaries), health and retirement (pension) benefits. In contrast, the results by Dong and Xu (2005) indicate that while there is no significant improvement in financial performance of SOEs after restructuring, there is a significant improvement in employee wages. Further, Meng (2005) argues that restructuring does not worsen the welfare of employees as it is commonly believed.

These conflicting results provide room for further research in this area. Therefore, this paper adds to the literature in that it is one of the first papers that address the impact of restructuring SOEs on financial performance and employee welfare in Malawi and part of the Sub-Saharan Africa. It is also the first paper, to the researcher's knowledge, to evaluate empirically the effects of restructuring SOEs on both the financial performance and employee welfare. The logic for this combination is that corporate owners and employees are the two main stakeholders who drive the

performance of an enterprise. The owners are interested in improved financial performance while employees are interested in improved welfare. Therefore, the interests of both stakeholders ought to be considered at the same time.

Despite focusing on a single organisation, MPC, the researcher expects the results of this study to be of use to many stakeholders. MPC management, employees, government officials and the general public may find the results useful. This study would also enhance the empirical evidence on the existing body of literature in this field.

1.7 Limitations

Due to the sensitivity of the subject matter and that the researcher is a middle manager in MPC, the validity of some of the responses from some employees could be questioned. However, to encourage valid and meaningful responses, the researcher assured the respondents that the research was for academic purposes and that any information supplied would be treated as confidential. Anonymity of respondents was also emphasised.

1.8 Organisation of Study

This chapter has introduced the study and its objectives. The rest of the chapters are organised as follows:

Chapter two discusses the theoretical and practical literature review. Chapter three presents the methodology and tools used in conducting the research. This chapter also discusses limitations of the research methodology. Chapter four discusses findings based on the research methodology. This chapter is followed by chapter five which concludes the study. This last chapter also outlines recommendations and areas for further research.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter discusses terms and theoretical concepts on corporate restructuring that have been used in this study. The chapter also presents and critically analyses practical research findings, observations and conclusions on the impact of restructuring on financial performance and employee welfare.

2.1 Theoretical Literature Review

The study uses a number of terms and concepts. These are now defined to ensure a common understanding regarding their meaning in this study.

2.1.1 State Owned Enterprise

Shirley (1983) defines a state-owned enterprise as a government owned productive organization that: is expected to earn a significant portion of its revenues from the sale of goods or services it produces; possesses an accounting system separate from any government agency that controls or supervises it; and is a distinct legal entity. Bozec and Breton (2003) add that SOEs are arm's length corporate entities established to pursue public policy and commercial objectives. Unlike other government agencies or departments, SOEs take a corporate form and are normally established by separate Acts of Parliament. Thus MPC meets the definition of an SOE.

2.1.2 Corporate Restructuring

Corporate restructuring is defined differently by different authors. The Collins Dictionary of Business (1995) defines corporate restructuring as:

A change in a firm's strategic direction involving, for example, expansion into new business activities and its withdrawal from some existing activities; or a change in a firm's internal organisation, for example, the replacement of a highly centralised structure by one based on individual strategic business units.

According to Hoskisson and Turk (1990) corporate restructuring is a major change in the firm's asset portfolio accompanied by a change in strategy. While Hailemariam (2001) defines restructuring as a change in the operational structures, investment structures, financing structures and governance structure of a company. David (2003) adds that restructuring involves reducing the size of the firm in terms of number of employees, divisions and organisational hierarchical levels. A more pronounced definition is that of Grant (1995) who describes corporate restructuring as the dramatic strategic and organisational changes that companies undergo in order to adjust their strategies, structures, and management systems to the environment of competition, instability, and low rates of economic growth. Organisational change can be understood as the outcome and process of change of firms under the influences of institutional settings surrounding organisations.

The definition by Grant (1995) shows that an organisation can restructure by changing its strategy in response to changes in environmental factors. This change in strategy can result in downsizing, rightsizing or delayering. Put together, these definitions underscore the fact that corporate restructuring involves organisational change in various forms. Hence, restructuring is also known by the following terms by different authors: downsizing, rightsizing, delayering, refocusing, downscoping and re-engineering (Hoskisson and Hitt, 1994; Johnson, 1996; Appelbaum et al., 1999; Huffine, 2000; David, 2003). The restructuring of MPC also involved the change in strategy in response to changes in the environment due to globalisation as per the definition by Grant (1995). However, there are several forms of corporate restructuring.

2.1.2.1 Forms of Corporate Restructuring

Corporate restructuring encompasses multiple forms of change, in an organisation, which are classified into three distinct categories: portfolio, financial and organisational (Johnson, 1996; Mposa, 1997; Appelbaum et al., 1999; Bowman et al., 1999; Turner, 2000; Hailemariam, 2001).

Portfolio restructuring involves the expansion of a corporation's business or contraction of business through divestures and operational shutdowns. This includes

significant changes in the mix of assets owned by a firm or the lines of business in which a firm operates; asset sales; and spin-offs. Company management may restructure its business in order to sharpen focus by disposing of a unit that is peripheral to the core business and in order to raise capital or rid itself of a languishing operation by selling off a division (Hailemariam, 2001). Moreover, a company can undertake an aggressive combination of acquisitions and divestitures to restructure its portfolio. According to the findings of Bowman et al., (1999) spin-offs and sell-offs generate gains while acquisitions and divestments generate no improvements on average. Of course these results have differed over time and also possibly over countries.

On the other hand, financial restructuring is characterised by leveraged buyouts, recapitalisation, share repurchase, employee share option plans and change in capital and ownership structure. It includes significant changes in the capital structure of a firm, including debt for equity swaps. Financial structure refers to the allocation of the corporate flow of funds, cash or credit, and to the strategic or contractual decision rules that direct the flow and determine the value-added and its distribution among the various corporate constituencies. Research findings by Bowman et al., (1999) reveal that financial restructuring generates economic value.

Finally, organisational restructuring refers to the dramatic internal changes and re-organisation of a firm's structure. It includes redrawing of divisional boundaries, flattening of hierarchical levels, spreading of the span of control, reducing product diversification, revising compensation, streamlining processes, reforming governance and downsizing (Johnson, 1996). Thus organizational restructuring involves downsizing. Cameron (1994) defines downsizing as a set of activities performed by organisations which are intentional, involves reduction in personnel (lay offs, retirement plans and transfers), improves efficiency of a firm to control costs and to maintain competitiveness in the market and finally affects the processes of how work is done with fewer employees. Huffine (2000) adds that the reduction in the workforce is the main by-product that accompanies organisational restructuring. As a result downsizing often leads to the elimination of departments or functions or even whole layers (Mposa, 1997). This is the form of restructuring implemented by MPC.

2.1.2.2 Causes of Corporate Restructuring

The need to restructure firms stems from pressures generated by changes in the environment on the one hand, and changes in the organisation on the other (Mposa, 1997). Disgruntled stakeholders are often the force that causes corporate-level managers to consider restructuring (Harrison, 2003). Johnson's (1996) study on antecedents and outcomes of corporate refocusing identifies four causes of restructuring: environment, governance, strategy and performance. The Johnson's study summarises empirical research gleaned from 1983 to 1996 into a model (see appendix 1) which links the antecedent conditions to the process of restructuring or downscoping to its outcomes. These causes of restructuring, discussed below, are inter-related and as such not mutually exclusive (Appelbaum et al., 1999).

2.1.2.2.1 Changes in the Environment

Key to the emergence of any restructuring in the early 1980s is the business environment. Dewettinck and Buyens (2002) argue that, organisations are forced to adapt to an environment characterised by augmented competition, government deregulation, and technological evolution, among others. The globalisation of markets, facilitated by the liberalisation policy of host governments, has added the urgency for firms to implement organisational changes in order to deal with increased intensity of competition and technological development (Drucker, 1992; Buckley, 2005). This trend subjected many heretofore protected firms to global competition resulting in a stunning amount of divestitures (Johnson, 1996; Appelbaum et al., 1999). Any change in the environment and government policies can trigger adaptive adjustments within firms, leading to improved corporate capability. In a turbulent and uncertain environment where, at the extreme, survival is threatened, a quantum change in the organisation may be required (Samuels et al., 2000). Firms which fail to adapt to these changes in the environment may eventually collapse. Thus, after noticing increased competition in postal services, brought about by technological advances and globalisation, MPC implemented the restructuring programmes to adapt to these developments.

2.1.2.2.2 Poor Governance

Intuitively, poor governance would logically be the cause of a firm's need to restructure (Appelbaum et al., 1999). Hoskisson and Turk (1990) argue that inadequate or weak governance allowed managers to utilise free cash flows without adequate controls. Inadequate governance may be related to diffusion of shareholdings among outside owners, characteristics of managers and board members, and board passivity (Johnson, 1996). Thus, poor corporate monitoring, due to ineffective and inadequate board of director governance, emphasis on incentive compensation and free cash flows, may lead to higher levels of diversification (Hoskisson and Turk, 1990; Johnson, 1996). Corporate restructuring, therefore, is likely to result in the correction of these inadequate governance patterns. Gibbs (1993) argues that firms with strong boards are less likely to restructure in the presence of free cash flows.

2.1.2.2.3 Poor Strategy

Firms restructure when a strategy review reveals that the firm's long-term performance prospects have become unattractive because the portfolio contains too many slow-growth, declining, or competitively weak business units (Thompson and Strickland, 2001; De Meuse et al., 2004). The Johnson model (1996) considers three categories of strategic antecedents: firm diversification strategy, financial strategy and strategic rationale.

One of the major goals top management has for a firm is growth. This may involve increases in the size of business units and to a large extent diversification. Both Ravenscraft and Scherer (1987) and Hoskisson et al., (1991) argue that excessive diversification may create control loss and misallocation of corporate resources. Johnson (1996) argues that poor strategy formulation and implementation resulted in firms, in the 1980s, having diversified beyond optimum levels, causing performance to suffer. Therefore, these firms restructured their operations to reverse the situation.

Firm financial strategy is often linked to the diversification strategy. Baysinger and Hoskisson (1989) found that diversification was positively related to debt levels. As diversification increases, managers cannot process all the information necessary to

use strategic controls and instead emphasise financial controls based on short-term results such as return on investment (Johnson, 1996). Emphasis on financial controls leads to managerial risk aversion, resulting in lower R&D intensity. Liebeskind and Opler (1993), as quoted by Johnson (1996) found that firms with low levels of R&D and slack were more likely to restructure during the 1980s.

The strategic rationale falls into two groups: refocusing and financial goals (Johnson, 1996). Refocusing involves emphasis on fit, core operations and relatedness, while financial goals emphasise on growth, cashflows and expansion. Duhaime and Grant (1984) report that managers cite lack of fit with other units as one of the primary reasons to divest. It is not uncommon these days to hear corporate managers saying that they found firms unmanageable or that they were choosing to emphasise on core operations as the reason for restructuring.

The financial goals, on the other hand, seem to concentrate on short-term performance to pursue other objectives, such as acquisition and disposals (Johnson, 1996). Managers plan to use proceeds from the sale to reinvest in core operations as well as future acquisitions (Markides, 1992).

A change in strategy may also be triggered when new management takes over a firm and decides to redirect the company. The new management, thus, restructure the firm to match with its strategy.

2.1.2.2.4 Poor Performance

Naturally, poor firm performance is a major motivation for restructuring for any firm (Dewettinck and Buyens, 2002). Managers have the incentive to voluntarily restructure to avoid take-overs (Johnson, 1996). The warning signs on poor financial performance are usually clear: declining or stagnating sales, accounting losses, or falling stock prices. In extreme cases such poor performance may cause the company to default on its debt, resulting in bankruptcy (Gilson, 2001).

The environmental theory, discussed in section 2.1.2.2.1, suggests that firms restructure in response to major changes in the business environment, for example

deregulation, changes in technology, government policies and competition (Bowman and Singh, 1990; Mposa, 1997). However, some threshold level of profitability is essential before any restructuring programme is initiated. Restructuring will be triggered by profitability falling below this threshold. Consistent with this view, Cibib and Grant (1996), as quoted by Mposa (1997), in a study involving the world's ten largest oil companies, found that falling profitability was the primary cause of restructuring.

Shareholders always demand a return on their investments in the form of dividends from profits and increase in share prices. When a company fails to achieve satisfactory results, the owners recommend restructuring. Appelbaum et al., (1999) argue that once a company records poor performance, the board of directors demands accountability and a plan of immediate action. Many countries are restructuring inefficient state enterprises with a view to improve competitiveness and reducing public sector deficits (Marcovitch, 1999). Poor performing public entities drain government resources through subventions. Through restructuring, these entities are empowered to operate profitably. Meng (2005) contends that poor performance caused the restructuring of Chinese SOEs. The restructuring of MPC, as discussed in chapter one, was also mainly introduced to improve its dwindling financial performance.

Therefore, it is clear from these discussions that restructuring is introduced to improve the performance of corporations. The Johnson's model (1996) of the 'antecedents and outcomes of refocusing' links the antecedent conditions, discussed above, of restructuring to its outcomes (Appendix 1). This study has adopted the approach followed by the Johnson model (1996) in assessing the outcome/impact of restructuring MPC. Although Johnson's model introduced three outcomes of restructuring, this study focused only on two outcomes of restructuring, i.e., financial performance and employee welfare (effects), excluding strategy.

2.1.3 Financial Performance

One of the outcomes of restructuring mentioned by the Johnson's model (1996) is performance. The common standard measure for firm performance is profit

(Appelbaum et al., 1999). Financial performance of an entity generally relates to how the firm generates its revenues, profitability, solvency and liquidity. The Financial Dictionary - by Free online English dictionary and encyclopaedia (2007) defines financial performance as, a company's ability to generate new resources, from day-to-day operations, over a given period of time. An entity's financial performance is measured over time.

There are two general possibilities of measuring organizational performance: the subjective view and the objective view (Eberl and Schwaiger, 2005). The subjective view draws on the perception of financial performance in the eyes of various stakeholders while the objective view draws on more or less measures reported by the company itself (Reinartz et al., 2004). This study has applied both the objective approach, by assessing the Corporation's profitability from its annual reports and the subjective view by getting the views of management and employees on the financial performance of MPC. The results using the objective method give a clearer picture in assessing whether the restructuring objectives have been met or not (Huffine, 2000).

The objective measure of financial performance is gauged by identifying changes in profitability before and after restructuring. Profitability is defined as a company's ability to generate revenues in excess of costs incurred in producing those revenues (Abcsmallbiz, 2003). It is a measure of business success over time. Moore and Wen (2006) argue that profitability is perhaps the most straightforward indicator in assessing the performance of an enterprise. A company's profitability is assessed through the use of ratio analysis techniques such as return on equity (ROE) and return on sales (ROS).

ROE is a ratio which measures the relationship between operating profit for a year with the capital invested in the business to generate that profit (BPP, 2006). This ratio shows how efficiently a business is using its resources. The Knowledge Environment Web-based Learning (2006) argues that, it is impossible to assess profits or profit growth properly without relating them to the amount of funds (capital) that were employed in generating the profits. ROE is one of the most important profitability ratios which assess how much the capital invested has earned during the period. Investors compare ROE earned on a firm with returns which could be earned on other

investments. If the ROE is lower than what could be earned in other investments, then managers are forced to turnaround the firm or, alternatively, investors withdraw their funds and invest in other profitable ventures.

On the other hand, ROS is a ratio that measures the relationship between the net operating profit and the sales revenue made by a firm. It is a measure of the profit margin a firm generates on its sales (BPP, 2006). Low profit margins usually suggest poor performance. The Johnson model (1996) uses ROE and ROS to measure firm performance after restructuring. This study has also used ROE and ROS to assess the financial performance of MPC in the periods before and after restructuring.

2.1.4 Employee Welfare

Definitions of employee welfare are less clear since the term is basically a general description of diverse set of practices. However, the Longman Dictionary of Contemporary English (2000) defines “welfare” as ‘wellbeing,’ which is a feeling of being comfortable, healthy, and happy. The ILO Thesaurus (2005) defines wellbeing as a situation where individual security, including income security, social integration and health care are deemed adequate. This definition is still too broad and needs further clarification. Therefore, in this study, employee welfare has been operationalised to refer to the employees’ working environment, salaries (wages), medical/health care plans, retirement plans and other employee benefits provided to employees, in cash or kind, by an enterprise. The researcher feels that these issues would make an employee feel comfortable, secure/safe, healthy and happy as per the definition of welfare.

2.2 Practical Literature Review

This section presents some empirical work undertaken to investigate the impact of restructuring SOEs on financial performance and employee welfare. A critical review of both positive and negative effects of restructuring is presented. With the increased attention of governments on privatization of SOEs, many studies have focused their attention on the benefits or costs associated with privatization. Therefore, few researchers have dedicated their effort to assess the performance of SOEs, which

remain under government ownership, but have restructured their operations to operate as private entities. This study adds to this neglected body of literature.

Restructuring of SOEs has taken different forms with various consequences on corporate financial performance and employee welfare. The following are some of the research findings.

2.2.1 Restructuring and Financial Performance

As highlighted above, the main aim of restructuring, for both private and public entities, is to increase shareholders' wealth in the form of profitability. Although the primary objective of most SOEs is to provide social services at no profit, governments are pleased to retain SOEs which provide a reasonable return to investment. Profitable SOEs sustain their operations forever, while poorly performing SOEs drain governments' resources through subventions. Therefore, SOEs should be closely monitored to ensure that they perform within their resources. Under-performing SOEs are either restructured or privatised to minimise loss of public resources.

Restructuring is expected to improve the operating and financial performance of the public entities. However, studies have revealed varied results on the effect of restructuring on corporate financial performance.

A study by Bozec and Breton (2003) concludes that the financial performance, as measured by profitability, of SOEs improves significantly after restructuring. The authors argue that these results suggest that, before restructuring, the difference in performance does not seem to be caused by the bad quality of public managers or by the manipulation of politicians to gain more votes, but rather by a fundamental difference in the objectives. Most SOEs were previously perceived, by governments, as a vehicle for achieving national development goals (Campos and Esfahani, 1996). Hence SOEs undertook some unprofitable projects to satisfy the national agenda. However, a restructured SOE is mandated to operate profitably with minimal government interference.

Commenting on this issue, Commander and Killick (1988) as quoted by Honde (2005), argue that inefficiencies in SOEs are associated with the presence of multiple

objectives, political as well as economic, and constraints that incorporate non-economic considerations such as politically influenced budgets. SOEs face such constraints as heavy social responsibilities or inappropriate incentives to provide excessive benefits for workers resulting in financial burdens, inadequate incentives to reinvest in enterprises resulting in outdated technology and equipment, large debt to assets ratio, over-staffing and redeployment problems, and inadequate sources of motivation for business executives and workers (Dong and Putterman, 2003). Thus, restructuring can promote efficiency by allowing the enterprise to be focused, and by removing the operating constraints faced by the enterprise.

Etukudo (2000) argues that SOE restructuring removes bureaucratic bottlenecks and political interference through clear role definitions between the supervising ministry, the board of directors and the management of the enterprise. Restructuring provides management with clear goals around which corporate policies must be formulated. These goals are aimed at ensuring financial solvency of public entities through effective cost recovery, cost control and prudent financial management. The change in SOE objectives is normally backed by legal mandate through an Act of Parliament which stipulates the operating limits of the entity. Thus, some of the restructured SOEs have reported satisfactory results.

A survey, by Nellis and Kikeri (1989) in North and sub-Saharan Africa in 1984, showed that, as a result of restructuring, 12 state enterprises reported net profit margins (return on sales) in excess of 4 percent while five enterprises reported net profit margins greater than 10 percent. Further, Tanzania Posts Corporation reported its first profit just one year after restructuring (Ianni and Lohmeyer, 2002). These results suggest that the financial performance of SOEs improves when firms are restructured (Bozec and Breton, 2003). This impressive performance of SOEs after restructuring is encouraging, as it aids governments in reducing budget deficits which arise due to funding of loss making public entities. Successful restructuring can help restore competitiveness to an enterprise, an industry, or a whole economy (World Bank, 2003).

Another study by the World Bank (2003) asserts that most completed public enterprise restructuring operations have realised some benefits. However, the study

argues that the sustainability of benefits has been a major problem. Many evaluations noted that some of the restructured public enterprises are now losing money or in difficult financial straits. This assertion was supported by D'Souza et al., (2005) who argue that restructuring of SOEs prior to privatization contributed to improved financial performance in the short-term. It is further pointed out that the improved financial performance can only be sustained through a change in corporate governance from state ownership to private shareholders. Another study by Markides (1995) on financial performance of firms post –restructuring between 1980 and 1987 yielded no significant results. However, when the eight – year period (1980 to 1987) was stratified into three short-term periods, of 1980-1983 (early), 1983-1985 (middle) and 1985-1987 (late), only the early period showed any significant improvement in profitability post-restructuring. More importantly, the author found those in the middle or late range showed poorer performance post-restructuring than the industry average (Appelbaum et al., 1999).

In contrast, while the above studies revealed that restructuring of SOEs improves financial performance, at least in the short-term, a study by Dong and Xu (2005) found that restructuring has failed to achieve its objective of reversing the trends of declining profitability of SOEs. The researchers argue that their findings of worse effects on profitability associated with restructuring of SOEs imply that SOEs do not have stronger incentives for profitability. Moore and Wen (2006) also argue that, even with support from government, such as interest cut, debt write-off to reduce SOEs' heavy debt burden, the overall performance of Chinese SOEs has still been poor after restructuring.

It is the aim of this study, therefore, to establish whether restructuring of SOEs in Malawi would result in improved financial performance or not as argued by these researchers.

2.2.2 Restructuring and Employee Welfare

The effect of restructuring on firm employees is one of the least examined aspects of organisational change (Johnson, 1996). The restructuring of SOEs has changed the behaviour of firms for employment and wage determination. Restructuring is change

and thus has a direct impact on employees who are part of an organisation. The Johnson model (1996) also considers one of the outcomes of restructuring as employee effects. Appelbaum et al., (1999) argue that this outcome deals with the impact which restructuring has on the resulting survivors and consequently their impact on the firm. Meng (2005) argues that these dramatic changes to the structure of SOEs have significant effects on the employment, wages and welfare of workers.

Thus, ILO (2003) asserts that employees often feel that they are the first to suffer from any crisis in an industry because companies will ask them to make concessions. This view is supported by Turner (2000) who argues that some of the changes undertaken in the name of corporate restructuring have in fact proved to be very painful, not least, to employees most closely involved, who ended up as prime casualties of restructuring through retrenchments. Appelbaum et al., (1999) further argue that underestimating the impact of employees upon firm performance post-restructuring can prove a costly mistake. Previous studies on the impact of corporate restructuring on employee welfare have produced mixed results, negative as well as positive.

2.2.2.1 Negative Impacts of Restructuring on Employee Welfare

Several empirical studies document the negative impact of restructuring on employee welfare, especially where restructuring involves downsizing.

In assessing the effect of restructuring on Chinese urban workers' wages, health and retirement benefits, Giles et al. (2004) found out that restructuring of SOEs led to a decline in wages (salaries), health and retirement(pension) benefits. The authors argue that the goal of the Chinese government was to shut down unprofitable enterprises, to diversify ownership, shift enterprises to modern forms of corporate governance, and to de-link the provision of social services from individual employers by privatizing housing and shifting responsibility for health insurance and pension provision to employees. The Chinese government ceased budget support to the SOEs. Reports of wage and pension arrears leading to active protests became increasingly common, and health insurance coverage of the employees declined.

Some studies have revealed that restructuring, through downsizing, increases workloads to survivors. Lewin and Johnston (2000) argue that as organisations downsize or restructure, survivors are left to carry their own workloads as well as the workloads left by the retrenched staff. As a result, tasks that used to be completed quickly take much longer to accomplish. Another study by Bediako (2002) supports these findings that restructuring normally results in shortage of staff and increased workload to the surviving employees. The increased work assignments have been associated with job insecurity as employees fear that non-accomplishment of tasks might lead to their dismissal (Sadri, 1996 and Johnson, 1996).

Private sector studies have reported perceptions of job insecurity and intention to quit as survivors' reactions to organizational restructuring (Ugboro, 2003). Traditionally, job security has been associated with employment in the public sector organizations because, for the most part, they have been considered insulated from the uncertainties and instability imposed on private sector firms by profit objectives and competitive forces of globalization. However, the restructuring of SOEs has transformed public entities to pursue similar profit objectives as the private sector. To fulfil these new profit objectives, SOEs have undertaken several measures as part of restructuring, for example, outsourcing of services, in such areas as maintenance and management information systems, areas that have involved layoffs and transfers of some employees to positions they deem less visible and less attractive (a change in their job features). This unfamiliar experience of job losses and threats to job features raises issues of job insecurity (Greenhalgh and Rosenblatt, 1984). A number of studies have examined the organizational consequences of job insecurity. Ashford et al., (1989) found that job insecurity leads to such attitudinal reaction as intention to quit, reduced organizational commitment and satisfaction. A recent study by Lee and Teo (2005) found that employee job satisfaction declined after restructuring.

However, despite these negative findings on the impact of restructuring, other studies have revealed positive impacts, contradicting the above findings.

2.2.2.2 Positive Impacts of Restructuring on Employee Welfare

A few studies have reported the positive impact of restructuring on employee welfare.

In his study on the impact of restructuring Chinese SOEs on employees' welfare, Meng (2005) concludes that restructuring does not worsen the welfare of employees as commonly believed. The author assessed the effects of restructuring on wages, salary, health and pension benefits by comparing both pre-and post-restructuring data. Although the author concurs with the results of Giles et al., (2004) that restructured SOEs pay, on average, lower wages, he argues that the lower wages were not statistically significant and different from the period prior to restructuring. Prior to restructuring, SOEs shared profits with employees. After restructuring, no profit sharing has been observed. Meng (2005) argues that these findings indicate that firms are behaving more like capitalist firms than SOEs, even though full privatisation has not yet been achieved. He further argues that profitability significantly contributes to the amount of welfare payments owed to employees. More profitable firms owe less in welfare payments to employees. Therefore, there is no effect from restructuring on wages and welfare payments to employees (Higuchi and Matsuura, 2004).

Another study by Dong and Xu (2005), on the impact of SOE restructuring on employee wages, found that restructuring leads to an increase in wages or in some cases restructured SOEs maintain wage levels. The authors argue that these findings imply that SOEs care for labour protection to a greater extent and do not have stronger incentives for profitability. These results have been partly supported by Linz (2000).

Studying thirty-two Russian firms, Linz (2000) explored the impact of restructuring on early wage payment and benefit packages after restructuring. The author found out that 75 percent of the firms studied showed an improvement in early wage payments. She further found that 50 percent of the firms studied did not reduce employee benefits while the other half required employees to pay for their own benefits. The findings that half of the restructured firms, under study, reduced the range of benefits offered to employees tend to support those by Giles et al., (2004).

2.3 Chapter Summary

This chapter has discussed the various concepts on corporate restructuring and how restructuring affects financial performance and employee welfare. A review of literature by different authors has revealed that there is no consensus on the impact of restructuring SOEs on financial performance and employee welfare. This creates a gap for further research in the subject. Hence, this study contributes to this literature.

CHAPTER 3

METHODOLOGY

3.0 Introduction

This chapter explains the important assumptions on which the research is premised. It presents the research philosophy on which the study is based and the research approach followed. It also explains the research design and sampling methods used. Methodology limitations and ethical considerations are highlighted at the end of the chapter.

3.1 Research Philosophy

In order to assess the impact of restructuring on the two issues of financial performance and employee welfare, the researcher used a combination of positivistic and phenomenological philosophies as the basis of this research. The use of these philosophies was justified because the study involved the collection and analysis of both quantitative and qualitative data.

A positivist philosophy tends to produce quantitative data that lend themselves to statistical analysis (Hussey and Hussey, 1997; Saunders et al., 2003). Thus the measurement of financial performance, which is quantitative, falls under the positivist philosophy. Quantitative financial data were collected from MPC annual reports and analysed. Hussey and Hussey (1997) argue that a positivistic philosophy seeks facts with little regard to the subjective state of the individual.

Conversely, in assessing of the impact of restructuring on employee welfare the researcher applied the phenomenological philosophy. This philosophy is concerned with understanding human behaviour from the participant's own frame of reference (Hussey and Hussey, 1997). It is a research philosophy that views social phenomena as socially constructed, and is particularly concerned with generating meanings and gaining insights into those phenomena (Saunders et al., 2003). Therefore, considerable regard is paid to the subjective state of the individual. This is so because the study is conducted in a business environment that is complex and constantly changing (Saunders et al., 2003; Chikhwenda, 2005). Not only are business situations

complex, they are also unique. They are a set of a function of a particular set of circumstances and individuals. Individuals or employees in different organisations may interpret situations differently depending on their personal circumstances. Thus, phenomenological studies do not generate law-like results which can be applied generally. This philosophy tends to produce qualitative and subjective data (Kumar, 1999). Therefore, the phenomenological philosophy was more appropriate for this type of research because the study focused on MPC, a single entity, which is unique to other SOEs, and MPC employees, who may interpret the impact of restructuring, on their welfare differently from other SOEs' employees.

Therefore, the results of this study relied on the objective analysis of MPC financial data and the subjective motives, actions and intentions of sampled MPC employees.

3.2 Research Approach

Since the study was based on two combined, positivist and phenomenological, philosophies to assess the impact of restructuring on financial performance and employee welfare, respectively, the researcher also adopted a combination of deductive and inductive research approaches.

Deductive approach involves the development of theory that is tested by empirical observations (Hussey and Hussey, 1997). It emphasises the collection and analysis of objective quantitative data. Therefore, this approach was applied in the assessment of the impact of restructuring on financial performance.

Under inductive approach, theory is developed from the observation of empirical data; thus general inferences are induced from particular instances (Hussey and Hussey, 1997; Saunders et al., 2003). The approach involves the collection of subjective qualitative data. The inductive approach was used because data was collected first and analysed later to reach conclusions on the impact of restructuring on employee welfare in MPC. The inductive approach also has less concern for the need to generalise results (Chikhwenda, 2005).

The combination of approaches assisted the researcher in addressing both the quantitative, financial performance, and qualitative, employee welfare, aspects of the research. Saunders et al., (2003) argue that the combination of approaches within the same research is not only possible, but it is also advantageous to do so.

3.3 Research Strategy

Since this research is an in depth study of one organisation, MPC, the research strategy used is that of a case study. Robson (2002) defines a case study as a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence. Hussey and Hussey (1997) add that a case study is an extensive examination of a single instance of phenomenon of interest. From these definitions it can be concluded that a case study implies a single unit of analysis, such as a company. This strategy was chosen because it has a considerable ability to generate answers to the ‘why?’, ‘what?’, and ‘how?’ questions (Saunders et al., 2003; Soy, 2006).

The case study strategy also allows the use of various data collection methods, like questionnaires, interviews and documentary analysis. Soy (2006) argues that the case study method, with its use of multiple data collection methods and analysis techniques, provides researchers with opportunities to triangulate data in order to strengthen research findings and conclusions. Hussey and Hussey (1997) define data triangulation as the use of different research approaches, methods and techniques in the same study. In this study both primary and secondary data sources were used. However, case study research lacks a ‘scientific feel’ (Saunders et al., 2003). This makes it almost impossible to generate law like generalisations on the results. Nevertheless, this strategy was appropriate for this study because organisations are different and may implement restructuring activities differently. MPC was treated as a unique case which may not be similar to other SOEs.

MPC provides an interesting site for this study because it is one of Malawi’s SOEs to be reformed through restructuring without being privatised. MPC employees were, initially, a bit wary of the benefits of restructuring. They thought restructuring was a

term used by management to dismiss unwanted staff without any benefits accruing to the remaining staff. Hence, the assessment of the impact of restructuring on financial performance and employee welfare was considered vital.

3.4 Study Design

This research used the '*before-and-after*' study design. This design aims at finding the change in phenomenon or variable between two points in time (Kumar, 1999). This study, thus, compared changes in the financial performance and employee welfare before and after the restructuring of MPC. Kumar (1999) argues that the main advantage of this design is that it can measure change in a situation, phenomenon, issue, problem or attitude. It is, therefore, the most appropriate design for measuring the impact or effectiveness of a programme. However, one of the limitations of this design is that, as it measures *total change*, one cannot ascertain whether independent or extraneous variables are responsible for producing change in the dependent variable (Kumar, 1999). In this study, restructuring was the independent variable which had an impact on dependent variables, financial performance and employee welfare. Thus, Kumar (1999) argues that this study design could not ascertain whether any changes in financial performance and employee welfare were caused by other factors, other than restructuring. Nonetheless, this study design was considered appropriate in this research.

3.5 Sampling Method

Purposive (judgemental) sampling was used to draw sample size in this study. Saunders et al., (2003) defines purposive sampling as a non-probability sampling procedure in which the judgement of the researcher is used to select the cases that make up the sample. The purposive sampling method was utilised to gather relevant and valid data from the targeted respondents. Neuman (1997) argues that purposive sampling is ideal in a case study research and when a researcher intends to select cases that are particularly informative. Therefore, purposive sampling was used in determining employees who witnessed the restructuring process. This excluded all employees who joined MPC after restructuring.

Since this study was aimed at assessing the impact of restructuring on financial performance and employee welfare, the sampling frame constituted all employees who joined MPC before 2003, the year of restructuring. Employees who joined MPC after 2003 were excluded from the study. The total relevant population was 881 employees. These employees experienced the change in MPC and were deemed able to compare the performance of the Corporation pre- and post-restructuring. Thus, these employees were considered more informative than those who joined MPC after restructuring.

A simple random sampling was employed to select respondents from the purposefully selected population of 881 employees. This is a probability sampling procedure that ensures that each case in the population has an equal chance of being included in the sample (Hussey and Hussey, 1997; Saunders et al., 2003). The simple random sampling was used to minimise selection bias considering the sensitiveness of the topic. A sample size of 268 employees was determined using computer software called Decision Analyst Statistics Software (1998) version 1.1 (Appendix 2).

All 881 employee names were each assigned a unique number from one to 881. Participants were selected using 268 random numbers. This gave each employee, in the population, an equal chance of being selected without bias (Saunders et al., 2003). As a control measure, to substantiate the views of the employees, the researcher also sought the views of three executive managers, who witnessed the restructuring process. The views of the managers were regarded as those of an employer.

3.6 Research Description and Data Collection

The study started off by identifying the three MPC executive managers to be interviewed and then the selection of 268 employees to answer questions from questionnaires on the impact of restructuring on employee welfare. Each group, of managers and employees, had its own set of questions. The researcher also gathered MPC annual reports for the six year period under study to assess the impact of restructuring on the financial performance.

The researcher obtained a written permission from MPC management to conduct the study and access data in the Corporation. The data was collected from two sources:

3.6.1 Primary Data Sources

Primary data is data collected specifically for the research project (Hussey and Hussey, 1997; Kumar, 1999; Saunders et al., 2003). This data was collected directly from employees and management using questionnaires and semi-structured interviews as follows:

3.6.1.1 Questionnaires

The researcher administered questionnaires in order to understand the impact of restructuring on MPC employees' welfare. A questionnaire is a method for collecting data in which participants are asked to complete a written set of structured questions to find out what they do, think or feel (Hussey and Hussey, 1997). The researcher viewed the questionnaire as the best tool for collecting the subjective expectations and perceptions of MPC employees on the impact of restructuring on financial performance and their welfare. This is so because the questionnaire enables respondents to have enough time to think about the questions (Brynard et al., 1999). The type of questionnaire used in the study was self-administered questionnaire (Saunders et al., 2003). This is a questionnaire which is filled and completed by a respondent. The researcher used this questionnaire because it is easy to administer. Several respondents could participate at the same time. Further, some questionnaires were sent by post. Each questionnaire, for employees, contained a set of closed questions in a predetermined order.

Closed questions provide a number of alternative answers from which the respondent is instructed to choose (Hussey and Hussey, 1997; Saunders et al., 2003). These questions were used in employee questionnaires because they are easier and quicker for the respondents to answer, as they require minimal writing. Closed questions are also easy to code and analyse (Vinten, 1995; Saunders et al., 2003). With open questions, respondents would gloss over complaints close to their memory which would not necessarily be within the boundaries of this study. The disadvantage of

closed questions, however, is that suggested answers may be too restrictive to cover every possibility (Kumar, 1999).

The employee welfare factors assessed in the questionnaire were: changes in salary/wages, allowances, health care, retirement benefits, workload, job security and satisfaction. The researcher adopted the method used by Giles et al., (2004) in measuring these welfare factors by using a five-point Likert Scale. This is a scale that allows respondents to indicate how strongly they agree or disagree with a statement contained in a questionnaire (Hussey and Hussey, 1997; Saunders et al., 2003). The Likert scale questions were applied because they are often used to collect opinion data (Saunders et al., 2003). Employees were to reflect on the pre- and post-restructuring periods and respond to closed questions in the questionnaire (See appendix 3). To assess whether the respondents were aware of the restructuring programme in MPC, question 6 was asked. Any respondent who answered 'no' was considered ineligible to assess the impact of restructuring on his/her welfare.

Questions 7 to 10 asked respondents to state how they perceived their salary, allowances, medical and retirement benefits had changed compared to the period before restructuring. Possible responses were that these welfare factors "got worse," or "did not change", or "improved to a limited extent", or "improved to some extent", or "improved to a great extent" after restructuring. The questionnaire also contained questions 11 to 15 which asked respondents to state how strongly they agree or disagree with a statement on understaffing, increased workload, job insecurity, job satisfaction and their intention to quit due to restructuring. These questions were considered adequate to assess the impact of restructuring on the welfare of MPC employees. However, considering that MPC has a workers' trade union which could negotiate for the improvement in employee welfare with management, question 16 was asked to find out if some employees attributed any improvement in their welfare to the influence of the trade union. This question acted as a control to find out if the influence of the trade union could be one of the extraneous variables having an impact on employee welfare.

On the other hand, question 17 was asked to obtain the views of the employees on the impact of restructuring on the financial performance of MPC. This was the subjective

view of measuring organisational performance as discussed in section 2.1.3 above. Respondents were expected to state how strongly they agreed or disagreed with a statement that restructuring led to improved financial performance in MPC. The responses to this question were compared to results attained in assessing changes in financial performance using the objective measures of financial ratios of ROE and ROS. Finally, question 18 was intended to assess whether respondents, based on their experience, could support corporate restructuring.

Before administering the questionnaires, the researcher carried out a pilot test on ten randomly selected employees. This assisted in refining the questionnaire so that respondents did not have problems in answering the questions. The pilot test, further, enabled the researcher to obtain an assessment of the questions' validity and reliability to the data to be collected (Saunders et al., 2003). The questionnaires were accompanied by a covering letter which explained the objective of the research and the date when the questionnaires were to be collected or returned.

The researcher, personally, delivered and collected 161 out of 268 questionnaires to respondents in near offices. This was done to ensure that the questionnaires were filled by the right people. The remaining 107 questionnaires were sent by post to sampled employees in remote offices, where it would be costly to make hand deliveries. The use of postal questionnaires worked to the advantage of the researcher because MPC provides postal services. Therefore, it was easy to send and make follow ups on posted questionnaires.

3.6.1.2 Semi-structured Interviews

Semi-structured interviews were used to collect data from three of the four executive managers of MPC, the PMG, Director of Marketing and Projects, and Director of Operations. Saunders et al., (2003) define semi-structured interview as a wide ranging category of interview in which the interviewer commences with a set of questions but is prepared to vary the order in which questions are asked and to ask new questions in the context of the research situation. Semi-structured interviews were used because not only do they allow the researcher conduct discussions to reveal and understand the 'what' and the 'how', but they also place more emphasis on exploring the 'why'

(ibid). Interviewees are also free to express issues which a researcher did not foresee. Further, interviews permit a researcher to ask more complex questions and ask follow-up questions, which is not possible in a questionnaire. However, Hussey and Hussey (1997) argue that semi-structured interviews are likely to be very time consuming and difficult to analyse. Hence, interviews may not be suitable for a large sample. This is why the researcher restricted interviews to the three executive managers.

The three managers selected were involved in the restructuring of MPC and were considered able to comment on the various aspects of the restructuring programme. Saunders et al., (2003) argue that interviews are more suitable for executive managers. The managers were asked open ended questions to allow them talk freely about their views and experiences on restructuring. These are questions where respondents can give a personal response or opinion in their own words (Hussey and Hussey, 1997). The questionnaire was administered through face to face interviews with the executive managers

Face to face interviews were considered ideal for the managers because research has shown that managers are more likely to agree to be interviewed, rather than complete a questionnaire. The face to face interviews allow them to express themselves without the need to write anything down. Another advantage of face to face interviews is that the researcher has more control over who answers the questions than with a questionnaire which may be passed from one person to another (Healey, 1991). (See appendix 4 for the questionnaire for the executive managers).

Questions A1 to A3 centred on obtaining the managers views on what constituted the restructuring of MPC, what caused the restructuring and what were the actual activities implemented as part of restructuring. These questions assisted the researcher in appreciating the form and causes of the restructuring process in MPC.

Questions B4 to B10 assessed the managers' opinions on the impact of restructuring on the financial performance of MPC. Question B7 asked the managers to state if there could be other factors which contributed to changes in financial performance apart from restructuring. This question was imperative as there could be other

extraneous variables impacting on the financial performance and the executive managers were considered the reliable source of this information.

Finally, questions C11 to C15 asked the managers to state what they felt was the impact of restructuring on employee welfare. The managers were also asked to state if there were any external factors which had an impact on employee welfare.

3.6.2 Secondary Data

Secondary data is data that is already available on the subject and is easily accessible (Kumar, 1999). It is vital because it substantiates the authority of the study and also enhances the findings of the research. The secondary data sources assisted the researcher mainly in establishing the background information on the restructuring of MPC. The data, especially annual reports, helped the researcher to assess the impact of restructuring on the financial performance of MPC.

This data was collected from various sources which included books, electronic journals, press articles, MPC strategic reports, business plan, annual reports, GOM publications, payroll and personnel records. Many of these materials were obtained through close contact established by the researcher with senior managers in MPC. These sources of information enabled the researcher to identify key issues for the study, forming a basis for the design of the structured questionnaires, sampling frame and assessment of the financial performance of MPC pre-and post-restructuring.

The researcher reviewed MPC's annual reports for a six year period from 2001 to 2006 in order to address one of the research questions on the impact of restructuring on the financial performance of MPC. The Corporation's performance was compared between two years, 2001 to 2002, before restructuring, and the three years, 2004 to 2006, after restructuring. Restructuring was implemented in 2003.

Financial performance was measured using two profitability ratios, namely: return on equity (ROE) and return on sales (ROS). The ratios are calculated on operating profit before interest and tax (PBIT). Using PBIT provides performance ratios which are independent of external factors like cost of capital (interest) and government taxes

(Bozec and Breton, 2003; De Meuse et al., 2004). Changes in interest and tax rates are not influenced by management and therefore were excluded in the performance evaluation criteria. The profitability method was used because its results give a clear picture in assessing whether the restructuring objectives have been met or not (Huffine, 2000). ROE ratio was calculated by dividing PBIT with equity (share capital plus reserves), while ROS ratio was computed by dividing PBIT with the sales generated in each of the six years.

The Johnson model (1996) used these ratios to measure the financial performance of firms post-restructuring. These profitability indicators are also currently used to compare pre- and post-privatisation performance of companies (Megginson et al., 1994; Boubakri and Cosset, 1998; Dewenter and Malatesta, 2000; D'Souza et al., 2000, Hanousek et al., 2007).

3.7 Data Recording and Analysis

All answers to questions, contained in the questionnaires to employees, were numerically coded. Respondents were required to circle or tick the appropriate answers on how they felt restructuring had affected their welfare. The questions were coded to facilitate easy data analysis on computer software. The face to face interviews with the executive managers were pen recorded by the researcher and their responses were also coded into similar categories. The data, collected using the questionnaire and interviews, were qualitative.

Coding enables data to be entered quickly with few errors (Churchill and Iacobucci, 2002; Saunders et al., 2003). Coding also assists in transforming raw qualitative data into symbols which can be tabulated and counted more easily. This helped the researcher to express respondents' views in quantitative terms through the use of frequency distribution tables, charts and graphs.

Responses from questionnaires and interviews, on the impact of restructuring on employee welfare, were analysed using the Statistical Package for Social Sciences (SPSS). It was easy to use this software because the data was pre-coded and the

package is capable of storing each code automatically for use with other cases. SPSS also has the ability to generate various reports to meet the needs of the researcher.

In evaluating the financial performance of MPC, the two profitability ratios, ROE and ROS were calculated using Microsoft Excel software which has various capabilities in quantitative data analysis. The ratios were computed for each of the six years, 2001 to 2006, based on MPC's audited financial statements. A comparison was done between the profitability ratios in the pre-and post-restructuring periods.

3.8 Limitations of Methodology

The limitations of the research methods used were as follows: Firstly, the research philosophy used, phenomenology, is very subjective. This means that the results of this study should be applied only in the context of one case study, MPC. The results cannot be generalised to apply on other SOEs in Malawi. Secondly, the tool used to measure financial performance, profitability, is not the only measure to assess a company's success. Other measures consider a company's cash flow (solvency) or gearing position. These other measures were excluded in this study due to time constraints and the focus of the study was to assess changes in profitability. However, profitability still remains the most popular tool to measure corporate performance (Hanousek et al., 2007). Thirdly, there could be other external factors, apart from restructuring, which contributed to the performance of MPC. As argued by Kumar (2005), it is not possible, in a *before-and-after* study design, to quantify the contribution of independent and extraneous variables separately. The researcher tried to minimise this by asking respondents if they felt the improvement in their welfare was influenced by their trade union leaders. The researcher also sought the views of management if they felt that some of the changes were influenced by other factors other than restructuring.

3.9 Research Ethics

Several ethical issues were upheld during the study. Confidentiality, privacy and respect of respondents were observed. Prior to administering questionnaires, all respondents were informed of the objectives of the study. The researcher never put undue pressure on a respondent to complete a questionnaire. To ensure confidentiality

and anonymity, respondents were not allowed to indicate their names on the questionnaire. This approach attracted the interest of the respondents and increased the likelihood of obtaining valid and reliable information.

3.10 Chapter Summary

This chapter has presented the phenomenological research philosophy adopted in this research. Data collection methods have also been discussed. Both primary and secondary data were collected using self administered questionnaires and review of MPC annual reports. The annual reports were analysed using Excel to calculate two profitability ratios, ROE and ROS. These ratios were used to assess MPC financial performance, while responses from employees were analysed using SPSS to assess the impact of restructuring on employees' welfare. The limitations of the methodology have also been discussed.

CHAPTER 4

RESULTS AND DISCUSSIONS

4.0 Introduction

This chapter presents the findings of the study from the analysis of the data that were collected. It also discusses the results through the interpretation of the research findings and the literature reviewed. Quantitative data were collected from MPC annual reports, while qualitative data was collected from a sample of 268 employees. Additional qualitative data was obtained from three executive managers of MPC. Data collection methods included the analysis of MPC audited financial statements over a six-year period, the use of self-administered questionnaires and face to face interviews. Out of the 268 questionnaires administered, 237 participants responded and of these, 229 were valid or meaningful, representing a response rate of 85 percent.

The collected data was analysed using Excel and SPSS computer software packages. Excel was mainly used to compute financial performance profitability ratios, while SPSS was used to analyse respondents' answers on employee welfare. The results of the data analysis are presented below, starting with MPC's financial performance pre- and post-restructuring and finally findings on employee welfare.

4.1 Results on Financial Performance

This section presents changes on the financial performance (profitability) of MPC from 2001 to 2006 in order to assess the impact of restructuring. Table 1, below, shows the profitability levels of the Corporation over the six year period.

Table 1: Profitability Levels at MPC

Year				2001	2002	2003	2004	2005	2006
				MK	MK	MK	MK	MK	MK
Total sales (in millions)				234	264	286	410	585	789
Total expenditure (in millions)				392	434	331	416	562	726
Profit/ (Loss) before interest & tax				(158)	(170)	(45)	(6)	23	63

Source: MPC annual reports 2001-2006

Table 1 above, shows that MPC reported huge losses before the commencement of restructuring in 2003. However, the Corporation reduced these losses just one year after restructuring from MK170 million in 2002 to MK6 million in 2004. Thereafter, MPC reported increased profits in the following two years, 2005 and 2006. These encouraging results are also reflected in the profitability ratios of the Corporation as shown in table 2, below, and the graphical presentation in appendix 5.

Table 2: Return on Equity (ROE) and Return on Sales (ROS) Ratios
Year

Ratio	2001	2002	2003	2004	2005	2006
ROE	-48%	-86%	-21%	-3%	6%	13%
ROS	-68%	-65%	-16%	-1%	4%	8%

Source: Computed by author from MPC Annual Reports 2001-2006

The above table 2 illustrates that the Corporation's key profitability ratios of ROE and ROS improved significantly after restructuring. MPC recorded positive ROE and ROS of 13 percent and 8 percent, respectively, after restructuring. This was a massive turnaround considering that MPC recorded negative ROE of 86 percent and negative ROS of 65 percent just a year before the commencement of restructuring. In order to assess if employees noticed any improvement in the financial performance of MPC one question was asked in the questionnaire. The employees were asked to state whether, in their opinion, restructuring improved the financial performance of MPC and they were expected to state how strongly they agree or disagree with that statement. Table 3 below shows the respondents' views.

Table 3: Respondents Views on Improved Financial Performance

Views	Frequency	Percent	Cumulative Percent
Strongly agree	67	29.3	29.3
Agree	112	49.0	78.3
Indifferent (Not sure)	14	6.1	84.4
Disagree	21	9.2	93.6
Strongly disagree	15	6.4	100.0
Total	229	100.0	

The above table 3 indicates that 78.3 percent of the respondents agreed that restructuring had led to improved financial performance in MPC. Further, all the three executive managers of MPC, interviewed, also agreed that the financial performance improved after restructuring.

According to the executive managers' responses, several strategies were implemented for MPC to improve its profitability levels. Some of these strategies included, the retrenchment of redundant employees, introduction of new products and services, automation of some postal processes, redesigning of mail networks for efficient distribution of mail, procurement of motor vehicles, postal equipment and training of staff. These strategies assisted the Corporation in reducing staff costs and increasing its revenue generation capacity. As a result there has been an upward trend on profitability since restructuring was implemented. Thus, MPC turned around from loss making, before restructuring, to profit making after restructuring.

These results agree with the findings of Nellis and Kikeri (1989); Johnson, (1996); Bozec and Breton (2003); Ianni and Lohmeyer (2002); World Bank (2003); and D'Souza et al., (2005) that restructuring of SOEs improves profitability and hence, financial performance. Furthermore, these results could support the assertions by Bozec and Breton (2003) that the poor performance before restructuring does not seem to be caused by the bad quality of SOE managers. MPC did not change its executive management after restructuring. The Corporation changed its operational and financial objectives from social to commercial goals.

However, these results have not supported the findings of Dong and Xu (2005) and Moore and Wen (2006) who argue that restructuring of SOEs has failed to achieve its objective of reversing the trends of declining profitability. The above tables clearly demonstrate that MPC improved its profitability after restructuring.

4.2 Results Obtained From Employees

This section presents results from questionnaires answered by 229 employees of MPC. These respondents have been working in MPC since its establishment in 2000 and witnessed the restructuring process. The study covered both male and female

employees in all age groups, marital status, educational qualifications, grades and duty stations.

4.2.1 Respondents Knowledge of the Restructuring Programme

To ascertain whether the respondents were able to relate the impact of restructuring on their welfare, they were asked an orienting question which asked them whether they were aware of the restructuring programme in MPC or not. Possible answers were ‘yes’ or ‘no’. Table 4, below, shows the results.

Table 4: Respondents’ Knowledge of Restructuring

Response	Frequency	Percent
Yes	229	100.0
No	0	0.0
Total	229	100.0

Table 4 indicates that 100 percent of the respondents were aware of the restructuring process in MPC. These respondents were, therefore, deemed able to assess the impact of restructuring on their welfare by reflecting on employee welfare conditions before and after restructuring, as highlighted in the following sections.

4.2.2 Changes in Employees’ Salaries and Benefits after Restructuring

Restructuring had varied impacts on MPC employees’ welfare as illustrated by respondents’ answers to questionnaires below.

4.2.2.1 Changes in Salaries and Allowances

To assess the impact of restructuring on employees’ salaries and allowances, respondents were asked to state to what extent they felt salaries and allowances had changed after restructuring. Table 5 reveals the employees’ responses on changes in their salaries.

Table 5: Responses on Change in Salary after Restructuring

Response	Frequency	Percent	Cumulative Percent
Improved to a great extent	10	4.4	4.4
Improved to some extent	92	40.2	44.5
Improved to limited extent	100	43.7	88.2
No change	26	11.4	99.6
Got worse	1	.4	100.0
Total	229	100.0	

Table 5, above, shows that about 88 percent of the respondents felt that their salaries improved after restructuring. This was made up of 44 percent respondents who felt that their salaries improved to a limited extent after restructuring, while 40 percent and 4 percent of the respondents felt that their salaries improved to some extent and to a great extent, respectively. The other 11 percent of the respondents felt that there was no change in salary as a result of the restructuring. These results generally demonstrate that restructuring led to the improvement of employees' wages.

Further, table 6, below, presents employees responses on the impact of restructuring on their allowances.

Table 6: Change in Allowances

Response	Frequency	Percent	Cumulative Percent
Improved to a great extent	30	13.1	13.1
Improved to some extent	68	29.7	42.8
Improved to limited extent	71	31.0	73.8
No change	36	15.7	89.5
Got worse	24	10.5	100.0
Total	229	100.0	

Table 6, above, shows that about 74 percent of the respondents agreed that restructuring contributed to the improvement in their allowances.

These results demonstrate that the restructuring of MPC resulted in improved salaries and allowances. These results, therefore, support the findings of Linz (2000); Dong and Xu (2005) and Meng (2005) that restructuring leads to an increase in wages.

4.2.2.2 Changes in Other Non-cash Benefits

The researcher was also interested to find out if restructuring had any impact on other non-cash benefits, such as medical and retirement benefits offered to MPC employees. Respondents were asked to state to what extent they felt medical and retirement benefits changed after restructuring. Table 7, below, presents the results from respondents on changes in medical benefits.

Table 7: Change in Medical Benefits

Response	Frequency	Percent	Cumulative Percent
Improved to a great extent	51	22.3	22.3
Improved to some extent	51	22.3	44.5
Improved to limited extent	69	30.1	74.7
No change	38	16.6	91.3
Got worse	20	8.7	100.0
Total	229	100.0	

Table 7, above, indicates that about 74 percent of the respondents felt that restructuring improved their medical benefits. Before restructuring, MPC suspended the provision of medical cover to employees. However, after restructuring the Corporation reintroduced the medical scheme. Therefore, employees were able to appreciate the impact of restructuring on their medical benefits. These results are contrary to the findings of Giles et al., (2004) who argued that restructuring results in reduced health benefits because the restructured SOE transfers this responsibility to employees.

In contrast, Table 8, below, presents results on employees responses on the impact of restructuring on their retirement benefits.

Table 8: Changes in Retirement Benefits

Response	Frequency	Percent	Cumulative Percent
Improved to a great extent	7	3.1	3.1
Improved to some extent	24	10.5	13.6
Improved to limited extent	58	25.3	38.9
No change	96	41.9	80.8
Got worse	44	19.2	100.0
Total	229	100.0	

Table 8 demonstrates that only 38 percent of the respondents felt that restructuring had led to an improvement in their retirement benefits. Of the remaining 62 percent, 42 percent acknowledged that there was no change in their retirement benefits resulting from restructuring, while the other 20 percent indicated that restructuring had worsened their retirement benefits. Asked why this development, MPC managers responded that there was no change in formula used to compute retirement benefits after restructuring. This could be the reason why most respondents felt there was no change. However, these results support the findings of Giles et al. (2004) that restructuring results in declined retirement benefits.

4.2.3 Impact of Retrenchment on Employees

This section presents results obtained from employees on the impact of retrenchment on their welfare, such as, staffing levels, workload and job insecurity. As part of the restructuring process, MPC retrenched 596 employees. This affected the surviving employees in different ways:

4.2.3.1 Retrenchment and Staffing Levels

To assess the impact of retrenchment on staffing levels, employees were asked to state if they agreed or disagreed with a statement that said retrenchment had led to understaffing. Table 9, below, presents the results from the respondents.

Table 9: Retrenchment Led to Understaffing

Response	Frequency	Percent	Cumulative Percent
Strongly Agree	81	35.4	35.4
Agree	83	36.2	71.6
Indifferent	12	5.2	76.9
Disagree	40	17.5	94.3
Strongly disagree	13	5.7	100.0
Total	229	100.0	

Table 9, above, reveals that about 72 percent of the respondents indicated that retrenchment had contributed to understaffing in their departments. Of the remaining 28 percent, twenty-three percent disagreed that retrenchment had resulted in understaffing while the other five percent were not sure. To ascertain whether this resulted in increased workloads for the survivors, another question was asked to employees to state whether they agreed with that statement or not. Table 10, below, presents the results.

Table 10: Retrenchment Resulted in Increased Workload

Response	Frequency	Percent	Cumulative Percent
Strongly Agree	74	32.3	32.3
Agree	69	30.1	62.4
Indifferent	19	8.3	70.7
Disagree	48	21.0	91.7
Strongly disagree	19	8.3	100.0
Total	229	100.0	

Table 10, above, shows that due to the reduction in staff levels, the survivors complained that this had increased their workloads, since employees were required to combine tasks. The table reveals that the majority, 62 percent, of the respondents agreed that retrenchment had resulted in increased workloads for them. The executive managers also concurred that retrenchment had led to understaffing and increased

workload for the survivors. These results, on understaffing and increased workload, support research findings of Lewin and Johnston (2000) and Bediako (2002) that restructuring, through retrenchment, normally results in shortage of staff and increased workload to the surviving employees.

It has been argued by several authors, Greenhalgh and Rosenblatt, (1984); Sadri (1996); and Ugboro, (2003) that increased work assignments have been associated with job insecurity as employees fear that non-accomplishment of tasks might lead to their dismissal. To determine whether MPC employees felt the same after retrenchment they were asked to state whether retrenchment had made them feel less secure. Table 11, below, presents their responses.

Table 11: Respondents felt less secure after Retrenchment

Response	Frequency	Percent	Cumulative Percent
Strongly disagree	39	17.0	17.0
Disagree	81	35.4	52.4
Indifferent	37	16.2	68.6
Agree	39	17.0	85.6
Strongly Agree	33	14.4	100.0
Total	229	100.0	

The results of table 11 indicate that over 52 percent of the respondents disagreed that they felt less secure working in MPC after retrenchment. Only 31 percent of the respondents agreed that retrenchment had made them feel less secure on the job. These results contradict the assertions of the above authors.

The feeling of job insecurity, as a consequence of restructuring, has been associated with such attitudinal reactions as reduced job satisfaction and intention to quit (Ashford et al., (1989); and Lee and Teo, (2005). Conversely, where employees feel more secured, as revealed by this study's Table 11, above, they should also feel more satisfied with their job and express no intention to quit. Therefore, respondents were asked to state if they were more satisfied with their jobs after restructuring. Table 12, below, presents the results.

Table 12: Respondents felt more satisfied after Restructuring

Response	Frequency	Percent	Cumulative Percent
Strongly agree	25	10.9	10.9
Agree	92	40.2	51.1
Indifferent	38	16.6	67.7
Disagree	46	20.1	87.8
Strongly disagree	28	12.2	100.0
Total	229	100.0	

Table 12, above, indicates that about 51 percent of the respondents felt more satisfied with their jobs after restructuring while about 32 percent disagreed with this statement. To substantiate if employees were really satisfied with their jobs, another question was asked to find out if they did not intend to leave their job after restructuring. Table 13, below, presents the results.

Table 13: Respondents with no intention to leave after Restructuring

Response	Frequency	Percent	Cumulative Percent
Strongly agree	53	23.1	23.1
Agree	95	41.5	64.6
Indifferent	42	18.3	83.0
Disagree	17	7.4	90.4
Strongly disagree	22	9.6	100.0
Total	229	100.0	

Table 13, above, shows that about 65 percent of the respondents had no intention to leave their jobs after restructuring. These findings, therefore, contradict those of Greenhalgh and Rosenblatt, (1984); Ashford et al., (1989); Sadri (1996), Ugboro, (2003); and Lee and Teo, (2005) that restructuring results in job insecurity, declined job satisfaction and employees' intention to quit their jobs. However, one could argue that there is need to also consider the employment rates prevailing in each economy. In Malawi unemployment rates are very high so much so that employees rarely

change jobs. This could explain why the majority of MPC employees did not express their intention to leave after restructuring. Employees' cultural backgrounds should also be considered. Some employees may feel that they are socially bound to their current employer.

In order to establish whether the stated improvement in employee welfare was influenced by the employees' trade union leaders, the questionnaire contained a question on this which asked respondents to state whether they felt the trade union influenced the improvements. Table 14, below, presents the results.

Table 14: Trade Union Influenced Improvements

Response	Frequency	Percent	Cumulative Percent
Strongly agree	47	20.5	20.5
Agree	71	31.0	51.5
Indifferent	46	20.1	71.6
Disagree	37	16.2	87.8
Strongly disagree	28	12.2	100.0
Total	229	100.0	

Table 14 demonstrates that about 52 percent of the respondents felt the improvements in their welfare was influenced by their trade union leaders' demands. However, the responses from executive management did not agree that the trade union influenced the improvement in employee benefits. The managers argued that restructuring solely contributed to improved financial performance, thereby making it possible for management to increase employee wages and other benefits. The managers, further, argued that without improved financial performance it would be impossible to meet trade union demands.

The above results demonstrate that the majority of the respondents recognised the improvements in financial performance and employee welfare as a result of the restructuring programme in MPC. To ascertain if employees, based on their current

experience, would support corporate restructuring they were asked a question on this. Table 15, below, displays the results.

Table 15: Respondents Support Restructuring

Response	Frequency	Percent	Cumulative Percent
Strongly agree	50	21.8	21.8
Agree	104	45.4	67.2
Indifferent	39	17.0	84.3
Disagree	26	11.4	95.6
Strongly disagree	10	4.4	100.0
Total	229	100.0	

Table 15 shows that about 67 percent of the respondents agreed that they could support corporate restructuring. These results are encouraging in that employees demonstrated that they appreciated the benefits accrued from the restructuring programme which was introduced and implemented by management.

4.3 Chapter Summary

This chapter has discussed the results of the study based on the research methodology presented in chapter three. The findings of this study have revealed that restructuring results in improved financial performance as measured by two profitability ratios, ROE and ROS. MPC reported positive ROE of 13 percent and ROS of 8 percent three years after restructuring, this is in contrast to negative ROE and ROS of 86 percent and 65 percent, respectively, recorded just one year before restructuring. Further, the study has demonstrated that restructuring resulted in improved employee welfare. These results have supported the findings of other researchers on the subject and contradicted others.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter draws conclusions on the findings of this study, as presented and discussed in chapter four, in line with the objectives of the research. The main objectives of this study were: “to examine the effects of public enterprise restructuring on financial performance” and “to examine the effects of public enterprise restructuring on the welfare of MPC employees”. Recommendations and areas for further research are also highlighted at the end.

5.1 Conclusions

Corporate restructuring is prevalent in today’s work place. The main objective of restructuring SOEs is to improve financial performance and sometimes employee welfare. The results of this study have revealed the impact of restructuring SOEs on financial performance and employee welfare in MPC.

The study has demonstrated that the restructuring of MPC resulted in a significant improvement in the profitability of the Corporation. Tables 1 and 2, in Chapter 4, show that the Corporation registered profit, in 2005 and 2006, following restructuring. MPC reported a profit of MK63 million in 2006 compared to a loss of MK158 million in 2001 before restructuring. This resulted in positive ROE of 13 percent and ROS of 8 percent in 2006 as compared to the negative ROE of 48 percent and negative ROS of 68 percent in 2001. This improvement in financial performance was also supported by 78 percent of the respondents (Table 3, Chapter 4).

Management implemented a number of strategies to achieve the improvement in financial performance. Some of the strategies are: the retrenchment of redundant employees, injection of new capital, introduction of new products and services, automation of some postal processes, redesigning of mail networks for efficient distribution of mail, procurement of new motor vehicles and other postal equipment and training of staff.

The results of the study have also revealed that employee welfare in MPC improved after restructuring. Contrary to some research findings, the results of this study have demonstrated that MPC employees witnessed an improvement in their benefits, such as, salaries, allowances and medical cover, although most of them felt there was no improvement in retirement benefits (Tables 5-8). This improvement in staff welfare increased the employees' job satisfaction (Table 12). It is also very clear from these results that management handled the restructuring, especially the retrenchment programme, satisfactorily (Table 11). Although most employees acknowledged that retrenchment led to understaffing and increased workload for survivors, the results reveal that retrenchment did not increase their job insecurity as is the case when retrenchment is not properly handled. As to confirm this, the majority of the respondents stated that they have no intention to leave MPC and that they support the restructuring programme in MPC (Tables 13, 15).

Finally, the above results have revealed that SOE restructuring leads to the improvement of both financial performance and employee welfare.

5.2 Recommendations

The results of this study have demonstrated that restructuring of SOEs result in improved financial performance and employee welfare, at least in the short-term. Therefore, the researcher suggests the following recommendations:

5.2.1 Restructuring as an Alternative to Privatisation

Restructuring of SOEs should be explored as an alternative to full privatisation of public enterprises. There has been a public outcry that privatisation has brought more harm than good to the citizens of Malawi. This study has shown that one way of revitalising ailing public entities is through organisational restructuring, which results in improved financial performance. This involves reorganisation of the SOE, injection of new capital into the business and provision of technical support to management. SOEs play a crucial role in advancing government's agenda of providing social services to the rural areas where it is practically impossible for private investors to do business.

5.2.2 Timely Review of Business Strategies

The management of MPC should carry out annual reviews of the existing business strategies and undertake timely corrective measures on any deviations. This study has revealed that most of the financial gains in a restructuring are normally short-lived (Chapter 2, section 2.2.1); therefore, management should continue monitoring the performance of the Corporation in order to achieve sustainable business growth.

5.2.3 Hardworking Spirit

MPC employees should continue working hard and increase their productivity in order to sustain the improved financial performance of the Corporation which, in turn, results in improved staff welfare.

5.3 Areas of Further Research

This section presents possible research areas. Firstly, in this study the impact of restructuring has been examined on financial performance and employee welfare. However, it is suggested that further studies be conducted to examine the impact of restructuring SOEs on customers or quality of service.

Further, the literature review, in chapter two, revealed that several researchers found that the improved financial performance, realised from the restructuring of SOEs, is normally short-term. Therefore, to ascertain these findings, there is need to carry out a similar study covering a period more than three years after the restructuring of MPC, say five or seven years.

It is also proposed that a similar study be undertaken on other restructured SOEs in Malawi for the results to be, at least, representative for the country.

Finally, a comparative study can also be conducted to examine the impact of a restructured SOE and privatised SOE on financial performance and employee welfare. However, care must be exercised to ensure that the firms are operating in the same industry and are of the same size and structure.

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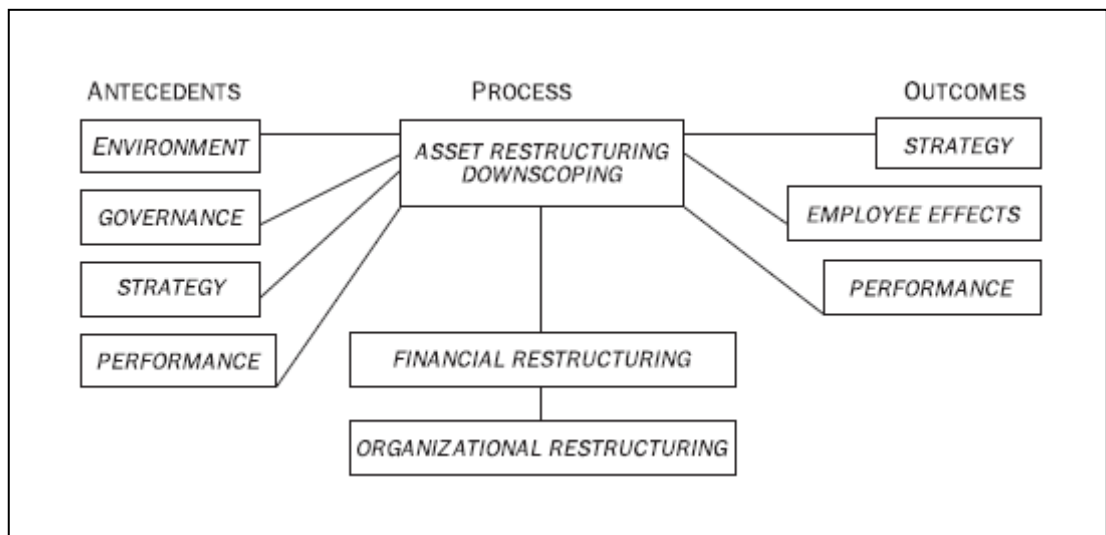
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APPENDICES

Appendix 1: Johnson's Model of Antecedents and Outcomes of Restructuring



Source: Appelbaum et al., 1999

Appendix 2: Sample Size Calculation from Decision Analyst Software

The screenshot shows the 'STATS - [Sample Size]' window. The title bar includes 'File Window Help' and a 'STATS™' logo. The main area is titled 'Sample Size'. It contains three input fields on the left: 'Size of Universe? (Maximum 99999)' with the value '881', 'Maximum Acceptable Error (+-) %?' with a dropdown set to '5%', and 'Estimated Percentage Level?' with a dropdown set to '50%'. Below these is 'Desired Confidence Level?' with a dropdown set to '95%'. In the center, 'The Sample Size Should Be:' is displayed with the value '267.5116'. On the right, there are five buttons: 'Calculate', 'Print', 'Help', 'Reset', and 'Exit'.

Input	Value
Size of Universe? (Maximum 99999)	881
Maximum Acceptable Error (+-) %?	5%
Estimated Percentage Level?	50%
Desired Confidence Level?	95%
The Sample Size Should Be:	267.5116

Appendix 3: Employee Questionnaire

A. Personal Details (please tick the appropriate box)

1. What is your gender? i. ☐ male ii. ☐ female

2. What is your age?
 - i. ☐ Less than 30 years ii. ☐ 30 – 40 years
 - iii. ☐ 41 – 50 years iv. ☐ Above 50 years

3. What is your marital status?
 - i. ☐ Single ii. ☐ Married iii. ☐ Separated iv. ☐ Divorced v. ☐ Widowed

4. What is your highest education qualification?
 - i. ☐ Primary School Certificate ii. ☐ Junior Certificate
 - iii. ☐ Malawi School Certificate of Education iv. ☐ Diploma
 - v. ☐ Bachelor's Degree Vi. ☐ Master's Degree Vii. ☐ Other (Please specify).....

5. Which one of the following best describes your grade category?
 - i. ☐ Junior support staff (grades M12-13) ii. ☐ Junior clerical staff (grades M8-11)
 - iii. ☐ Senior staff (grades M5-7) iv. ☐ Middle management (grade M4)

B. Restructuring

6. Malawi Posts Corporation embarked on a restructuring programme in 2003, were you aware of this? i. ☐ yes ii. ☐ No

C. Employee Benefits and Welfare Factors

To what extent have the following employee benefits and welfare factors changed after restructuring?

{If you feel the benefits improved to a great extent(IGE) circle 5, if improved to some extent (ISE) circle 4, if improved to a limited extent(ILE) circle 3, if no change (NC) circle 2 and if they got worse (GW) circle 1. There is no right or wrong answer.}

	GW	NC	ILE	ISE	IGE
7. Salary	1	2	3	4	5
8. Allowances	1	2	3	4	5
9. Medical/ health benefits	1	2	3	4	5
10. Retirement benefits	1	2	3	4	5

Key: GW= Got worse, NC= No change, ILE= improved to a limited extent, ISE= improved to some extent, IGE= improved to a great extent

D. Retrenchment

For each statement below, please, show the extent to which you believe retrenchment has affected your welfare as represented by the listed statements. If you feel you strongly agree (SA) with the statement circle 1, and if you just agree (A) circle 2, if you are indifferent/unsure (UN) circle 3, if you disagree (D) circle 4 and if you strongly disagree (SD) circle 5.

	SA	A	UN	D	SD
11. Retrenchment has led to understaffing in my office	1	2	3	4	5
12. Retrenchment has increased my workload	1	2	3	4	5
13. I feel less secure in my job now than I did before retrenchment	1	2	3	4	5

Key: SA = Strongly agree, A = Agree, UN = Unsure, D = Disagree, SD = Strongly disagree.

E. General issues

The following statements relate to your feelings about the overall impact of restructuring on financial performance and employee welfare. For each statement, please, show the extent to which you agree or disagree with the statements. If you strongly disagree (SD) with the statement circle 1, if you disagree (D), circle 2, if you are indifferent/unsure (UN) circle 3, if agree (A) circle 4 and if you strongly agree (SA) circle 5.

	SD	D	UN	A	SA
14. Restructuring has made me become more satisfied with my job.	1	2	3	4	5
15. I now do not intend to leave/quit my job	1	2	3	4	5
16. The improvement in employee welfare is due to the influence of the trade union	1	2	3	4	5
17. Restructuring has improved the financial performance of MPC	1	2	3	4	5
18. With this experience, I can support corporate restructuring.	1	2	3	4	5

Key: SD = Strongly disagree, D = Disagree, UN = Unsure, A = Agree, SA = Strongly agree.

Thank you for taking your time to complete this questionnaire

Appendix 4: Executive Management Questionnaire

A. Restructuring of Malawi Posts Corporation

1. In your understanding, what constituted the restructuring of Malawi Posts Corporation?

2. In your opinion, what caused the restructuring of Malawi Posts Corporation?

3. In the case of Malawi Posts Corporation, what are the things which were implemented as part of the restructuring process?

B. Impact of restructuring on financial performance

4. From your experience, how would you measure the financial performance of Malawi Posts Corporation?

5. In your view, what has changed in the financial performance of the Corporation as a result of restructuring?

6. Do you believe that there could be other factors, other than restructuring, that contributed to changes in financial performance of Malawi Posts Corporation?

7. If your answer to 6 above is yes, what were these factors?

8. In your view, do you think the restructuring process was successfully implemented in Malawi Posts Corporation?

9. If your answer to 8 above is yes, what were the major achievements?

10. If your answer to 8 above is no, please state the reasons why you think the restructuring process was not successfully implemented?

C. Impact of restructuring on employee welfare

11. What do you think has been the impact of restructuring on employee welfare?
(Please state both positive and negative impact)

Positive impact:

Negative impact:

12. Please state any changes, either positive or negative, in employee welfare, which have occurred not because of restructuring.

Positive impact:

Negative impact:

13. What do you think caused the changes stated in question 12 above?

Positive impact:

Negative impact:

14. What is your overall assessment of the restructuring programme in Malawi Posts Corporation vis-à-vis financial performance and employee welfare?

15. Do you have any final comments you would like to make about the restructuring of Malawi Posts Corporation?

Thank you for taking your time to complete this questionnaire.

Appendix 5: Return on Equity (ROE) and Return on Sales (ROS) Graph

